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SUBJECT: PROPOSED LNG RECEIVING TERMINALS IN CANADA

REF: 08 HALIFAX 45

Summary and Introduction

1. (U) Although Canada currently does not have any liquefied natural gas (LNG) receiving and regassification terminals, there are many projects under development. Canada has four fully approved LNG import facilities, one of which is under construction, and three proposed terminals. One additional project, which had been approved, was scrapped after it was unable to secure a long-term supply of LNG. Many of these proposed LNG terminals plan to provide LNG to U.S. natural gas markets as well as Canadian markets. However, despite the large number of LNG import facilities under development, their likelihood of completion is hindered by the difficulties many are having in obtaining a long-term LNG supplier and in navigating the long domestic approval process. End Summary and Introduction.

Canaport, St. John, New Brunswick

2. (U) The Canaport LNG receiving and regassification terminal is under construction and is slated to begin operations late in 2008. Canaport LNG is a partnership between Canada's Irving Oil Limited (25 percent) and Spain's Repsol YPF, S.A. (75 percent), with the latter supplying the LNG and marketing it outside Atlantic Canada. Overall construction is 80 percent finished with 99 percent of offshore and 76 percent of onshore construction completed. The imported LNG will be sold in Canada and the U.S. and is projected to supply 20 percent of the natural gas needs of the northeastern U.S. The terminal will have an initial send-out capacity of one billion cubic feet per day (bcfd) and will connect to the existing Maritimes and Northeast Pipeline (M&NP) through the 145-km Brunswick Pipeline, to be completed in the fall in conjunction with the terminal. The initial source of LNG will be Trinidad & Tobago, but Canaport hopes to eventually receive supplies from Algeria and other countries. One source of possible resistance is the design change from a cold vent to a flare system as the proposed safety release system. A cold vent system discharges methane gas into the atmosphere while a flare system combusts the gas before discharging it and will release a small amount of carbon dioxide as a result. As part of the flare system, a flame atop a steel skeleton will burn continuously at a usual height of one meter. During the start-up of each LNG tank a visible flame of 43 meters will burn for approximately 10 days. Canaport is asking for the public's comments regarding the design change. If the project remains on schedule, it will be the first LNG regassification terminal in Canada.

Rabaska, East-end Levis, Quebec

¶3. (SBU) Rabaska is a limited partnership between Gaz Metro of Quebec, Enbridge Inc. of Canada, Gaz de France, and Gazprom Marketing and Trading, Inc. (GMUSA) of the U.S. GMUSA is a wholly owned U.S. based subsidiary of Russia's OAO Gazprom and joined the partnership on May 15 when it signed a Letter of Intent to be the LNG supplier for the project. The LNG would come from Gazprom's Shtokman liquefaction project which is currently under development in the central Barents Sea, 450 km northeast of Murmansk. In May Gazprom's Deputy Chairman Alexander Medvedev announced that 50 percent of Shtokman's LNG exports would be sent to Rabaska. Gazprom QShtokman's LNG exports would be sent to Rabaska. Gazprom partners say Shtokman is scheduled to begin production in 2013, although Norwegian experts developing the nearby Snohvit gas field do not expect Shtokman to begin exporting gas earlier than 2015. Construction of Rabaska would be timed to meet Shtokman's first anticipated deliveries in ¶2014. The LNG would be distributed in Quebec and eastern Ontario through the Trans Quebec and Maritimes (TQM) Pipeline which would be connected to the terminal by an approximately 42-km pipeline to be built as part of the project. The facility would have an initial send-out capacity of 500 million cubic feet per day (mcf). Comment: The Rabaska project has provoked intense local criticism and several ongoing efforts to launch legal challenges. While the project has received federal and provincial approval, it is not yet certain that it will move forward. End comment.

Cacouna Energy, Gros Cacouna Island, Quebec

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¶4. (U) Cacouna is a joint venture between TransCanada and Petro-Canada that has been proposed for 15 km northeast of Riviere-du-Loup. The project does not have an LNG supplier lined up, as potential anchor supply Gazprom announced on February 8 that it had decided not to pursue its proposed Baltic LNG liquefaction facility that was to be the primary source of LNG for the terminal. The LNG would be accessible to Quebec and Ontario as well as the northeastern U.S. and the terminal would have an average send-out capacity of 500 mcf. Cacouna Energy was approved by the Government of Quebec and public opinion seems to be in favor of the project, with a Chamber of Commerce survey showing support from members at over 82 percent and a Cacouna Village municipality referendum in September of 2005 showing 57.2 percent of residents in favor. Since losing its potential supplier, however, the long-term fate of the project is in question.

Kitimat LNG, Kitimat, British Columbia

¶5. (U) Kitimat is a subsidiary of Calgary-based Galveston LNG Inc. and is planned to be located in Bish Cove. Construction is slated to begin in 2009 and be completed by the end of ¶2011. The LNG is intended for diverse North American gas markets and would be supplied through an approximately 14-km pipeline connected to Pacific Trail Pipelines and Spectra Energy's Westcoast Pipeline system. It would have a send-out capacity of 1 bcfd. Kitimat LNG is the only fully approved LNG regassification terminal on the west coast of North America and cites its proximity to the Alberta oil sands as an advantage. Kitimat has not yet secured an LNG supplier for the facility.

Energie Grande-Anse, Saguenay River, Quebec

¶6. (U) Energie Grand-Anse is pursuing the LNG project in conjunction with the Saguenay Port Authority. Grand-Anse had planned to seek government approvals in the summer of 2009 and begin construction in the fall of that year with a

completion date set for 2012, but everything has been pushed back by at least a year as they have been unable to reach an agreement with LNG suppliers. The terminal's initial operation date may now be as late as 2014. The LNG would supply Quebec, Ontario, and northeastern U.S. markets via a linking terminal connected to the TQM Pipeline. The facility would have a send-out capacity of 1 bcfd.

Maple LNG, Goldboro, Nova Scotia

17. (U) The Maple LNG project is a partnership between The Netherlands' 4Gas and Suntera Canada Ltd, a joint venture between SUN Energy and ITERA. SUN energy is the energy investment arm of the SUN Group, a private investment group active in Russia, India, Europe, and the U.S., and ITERA is a Russian oil and gas company. Construction is planned to start in 2010 with an initial delivery of gas in early 2012. The gas would be supplied to eastern Canadian and northeastern U.S. markets with an initial send-out capacity of 1 bcfd and the potential to increase to 2 bcfd. The terminal would be adjacent to the M&NP intake station at Sable Offshore Energy Gas Plant in Goldboro. Maple LNG received a Permit to Construct from the provincial utility and review board on June 18, 2008 and has received federal and provincial environmental approvals. Discussions are on-going with various parties around the globe concerning the supply of LNG for the terminal.

WestPac LNG, Texada Island, British Columbia

18. (U) The project, proposed by Calgary-based WestPac LNG Corporation, would be located near Kiddie Point in the Strait of Georgia, approximately 120 km northwest of Vancouver. The company plans to begin a regulatory review and environmental assessment in early 2009 and begin construction in late 2010 or early 2011 with a completion date set for 2014. WestPac would provide gas to coastal and lower mainland British Columbia and has stated it has no plans to export gas to the U.S. There would be on-site access to the Vancouver Island gas pipeline and the plant would have a send-out capacity of 500 mcfd. Commercial agreements for LNG supply have not yet been reached. Comment: The Westpac proposal has garnered a considerable amount of protest from the local population and

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environmental groups who do not want LNG facilities or tankers anywhere near Texada Island. Although these objections are in the early stages, they could mean a strong impediment to Westpac's plans. End comment.

Bear Head LNG, Cape Breton Island, Nova Scotia

19. (U) Anadarko Petroleum's LNG project was mothballed on February 9, 2007 because the company was unable to secure a long-term LNG supply. Construction was initiated in October of 2004 and was scheduled to be completed in late 2008. The imported gas was intended for northeast markets via the M&NP at an eventual rate of 1.5 bcfd.

Grassy Point LNG Transshipment and Storage Terminal,
Placentia Bay, Newfoundland

110. (U) Unlike the previous proposals, Newfoundland LNG Ltd's Grassy Point terminal would not provide for the regassification of LNG, but would still serve as a component of the LNG import chain by offering transshipment and storage services. LNG could be brought on larger LNG carriers and then transferred to smaller vessels for shipment to LNG regassification terminals on the Atlantic coast. The project would allow for LNG cargo transfer, short and long-term storage of LNG, temporary vessel-based LNG storage, and a

lay-up site for in-transit LNG carriers. Newfoundland LNG Inc., a Newfoundland and Labrador corporation, is jointly owned by North Atlantic Pipeline Partners, L.P. and LNG Partners, L.L.C. The project has received provincial approval and is undergoing a federal assessment. It is scheduled to be completed in 2010.

¶11. (U) Due to the uncertainty of obtaining a steady supply of LNG along with the slow-moving nature of the proposals and resistance towards them, only four of the 22 fully approved LNG facilities in the U.S. and Canada are currently under construction. Thus, while LNG importing terminals have the potential to increase supply in the North American natural gas market, the many challenges associated with their development have stalled the progress of many proposed LNG projects.

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